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MEMORANDUM

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March 6, 2005

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TO: AZ CORP COMMISSION
DOCUMENT CONTROLArizona Corporation Commission, Utilities Division
Teena Wolfe, Administrative Law Judge
James Fisher, Executive Consultant II
Ernest G. Johnson, Director
Brian Bozzo, Compliance Manager

FROM: Arizona Corporation Commission

DOCKETED

MAR 09 2005

DOCKETED BY

RESPONDENTS

Beaver Valley Water Company, an Arizona Partnership
Raymond Ward, Edgar Delaney, Partners
Beaver Valley Water Company, a Sole Proprietorship
Michael Davoren, Proprietor
Wardell Properties, an Arizona Partnership
Raymond Ward, Edgar Delaney, Partners

RE:

DOCKET NO. W-02015A-03-0724

THIS MEMORANDUM is intended to respond and object to Executive Summary and Staff recommendations regarding the rate increase application and subsequent proposed transfer application for Beaver Valley Water Company, 11 miles northeast of Payson, in Gila County. Staff has made certain allegations and assumptions that RESPONDENTS are compelled to correct and clarify the real and true sequence of events regarding the above applications.

- 1) RESPONDENTS acknowledge a real property transfer from Wardell Properties to Michael T. Davoren, an unmarried man, concerning TRACT "D", of Beaver Valley Estates, Gila County, AZ. Said property was and remains the location of business for Beaver Valley Water Company. Simultaneous to said transfer of real property, Mr Davoren was retained by Beaver Valley Water as an independent contractor for the maintenance of utility assets and business operation under the supervision of Douglas Thorn, Certified Grade 4 Operator #09798. Nothing pertaining to a transfer of the utility was referenced in the real estate transaction. (See Exhibit 1, real estate documents)
- 2) RESPONDENTS acknowledge filing an application for rate increase that Staff indicates receiving on April 28, 2003. Said application was filed in the name of Beaver Valley Water Company as an Arizona Partnership, Raymond Ward, Partner. No reference was made in said application regarding any transfer of the utility. Staff report cites an official approval of rate increase for Beaver Valley Water Company, an Arizona Partnership on October 6, 2003 subject to; (1) an approval of transfer of Beaver Valley Water Co assets and CC&N, and (2) written documentation from ADEQ pertaining to the

utility's compliance with environmental standards. Firstly, there was no documented transfer of Beaver Valley Water Company prior to the approval of rate increase filed on April 28, 2003. Secondly, a letter of compliance and good standing from ADEQ was filed with the initial rate increase application (See Exhibit 2, compliance letter). Said letter was filed as item 2 of the rate increase application citing Mr. Ward as the responsible party for Beaver Valley Water Company, as representative of the Arizona Partnership.

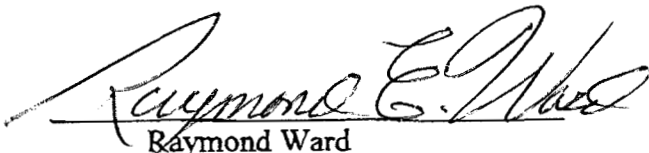
- 3) RESPONDENTS maintain that the rate increase was applied for and approved in concordance with Arizona Statute and that the above conditions for approval are unfounded. Subsequent conversations with John Lawrence, case worker at that time, inferred an approval of rate increase based on additional data provided by Beaver Valley Water Company; which resulted in the implementation of rate increase based on the commission mandated notifications to the customer base with copies to the commission. Beaver Valley Water Company complied with Mr. Lawrence's requests, notified its customer base, (copying the Commission), as is provided for by law, and initiated what was represented by Commission Staff to be an approved rate increase. Rate increase commenced in November, 2003.
- 4) It is important to acknowledge that Beaver Valley Water Company has not had an increase in rates since Decision #57084, September 19, 1990. This approved increase is mandatory in order to adequately maintain and improve the facility as is required by the Commission and ADEQ. In light of the certainty that other water providers have been approved for increases during this fifteen year period and that improvements have already been made to Beaver Valley Water system in anticipation of the increased revenues; it would be an insurmountable hardship for the utility to return to an antiquated rate structure, rendering it insolvent and certainly unmarketable.
- 5) Subsequent to the approval of rate increase referenced above, Beaver Valley Water Company, an Arizona Partnership, initiated an Application for the Approval of Sale and Transfer of CC&N to the Commission in October, 2003. (See Exhibit 3, transfer application), Buyer of the utility is to be, Beaver Valley Water Company, a Sole Proprietorship, Mr. Davoren. It is important to note that a transfer of utility was not initiated until after the completion of a commission approved rate increase. Said approval was represented to the RESPONDENTS from members of the commission.
- 6) Staff report acknowledges receipt of documentation from RESPONDENTS on September 14, 2004 detailing a proposed transfer of the utility to Beaver Valley Water Company, a Sole Proprietorship, (Mr. Davoren). This documentation reflects the consummation of 10 months of commission deliberation of the RESPONDENT'S initial application for transfer and is the first and only documented evidence of a proposed sale and transfer of Beaver Valley Water Company (See Exhibit 4, Water Company Transfer).

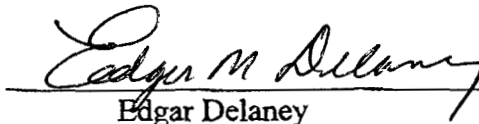
SUMMATION:

RESPONDENTS in the above referenced Docket, having complied with Arizona Law and provided evidence of their "good faith" attempts to comply with Commission rules, do hereby request the following:

- 1) The Commission stand by it's initial approval of rate increase for Beaver Valley Water Company with no imposition of customer refunds based on unenforceable conditions of approval.
- 2) The commission provide timely approval of the application for transfer of the assets and CC&N for Beaver Valley Water Company as is outlined in the pending compliant documentation presently in file.

RESPECTFULLY SUBMITTED THIS DATE, 9 DAY OF MARCH, 2005


Raymond Ward


Edgar Delaney


Michael Davoren

For Beaver Valley Water Company
RESPONDENTS



First American Title Insurance Agency, Inc.

610 East Highway 260 • Payson, AZ 85541

EXHIBIT #1

Settlement Statement

Property: Tract: D

File No: 237-4058156

Officer: Teresa Aguirre/mlp

New Loan No:

Settlement Date: 02/04/2003

Disbursement Date: 02/04/2003

Print Date: 2/5/2003, 8:42 AM

Buyer: Michael T. Davoren

Address: P. O. Box 421, Payson, AZ 85547

Seller: Wardell Properties

Address: P.O. Box 9031, Phoenix, AZ 85068-9031

Buyer Charge	Buyer Credit	Charge Description	Seller Charge	Seller Credit
		Consideration:		
200,000.00		Total Consideration		200,000.00
		Deposits in Escrow:		
	4,000.00	Receipt No. 23781195 on 12/10/2002		
	418.84	Receipt No. 23781698 on 02/04/2003		
		Prorations:		
	105.56	County Tax 924-41-000 01/01/03 to 02/04/03 @ \$1204.00/yr	105.56	
		New Loan(s):		
		Lender: Wardell Properties		
	196,000.00	1st New Loan to File to Wardell Properties	196,000.00	
		Interest on New Loan @ 7.000000% to Wardell Properties		
37.50		Account Servicing Set Up Fee to First American Title Insurance Company	37.50	
100.00		Tax Service Contract to First American Real Estate Tax Service		
		Title/Escrow Charges to:		
14.00		Record Deed of Trust to First American Title Insurance		
00.00		Standard Lender's Policy to First American Title Insurance		
		Record Affidavit of Property Value to First American Title	4.00	
		Record Quit Claim Deed to First American Title Insurance	14.00	
		Record Payoff Deed to First American Title Insurance	14.00	
		Record Affidavit of Heirship to First American Title	14.00	
14.00		Record Warranty Deed to First American Title Insurance	14.00	
249.00		Escrow Fees to First American Title Insurance Agency, Inc.	121.80	
		Standard Owner's Policy to First American Title Insurance	596.40	
		Disbursements Paid:		
		Tax Installment: 2nd 1/2 2002 taxes to Gila County	6.00	
		Death Certificate Request to Office of Vital Records	1.00	
9.90		Cash (From) (X To) Borrower		
		Cash (X To) (From) Seller	2,400.74	

Certificate of Compliance

Letter of Good Standing

Beaver Valley Water Co.

This Certificate of Compliance is issued pursuant to Arizona Revised Statutes Section 42-1110 and or Section 43-1131. It certifies that, according to department records, the above named taxpayer has filed and paid all taxes due under Title 42 and Title 43, specifically and only as to the following described tax types and identification/license numbers:

TAX TYPE

Social Security Number

526-38-5998

Transaction Privilege Tax License

04-010108-N

IDENTIFICATION NUMBER

This certification is made conditionally and is subject to the findings of any subsequent audit.

Issued To:

Beaver Valley Water Co.
Attn: Mr Raymond E Ward
P.O. Box 421
Payson, AZ 85547

Bobbie Clay
Bobbie Clay

Compliance Liaison Officer 602-542-4472

December 12, 2002

www.revenue.state.az.us

EXHIBIT #2

ITEM
2

ACC HAS
ONLY SIGNED COPY
EXHIBIT 2

**AMENDMENT TO PURCHASE CONTRACT
AGREEMENT FOR THE SALE OF BUSINESS KNOWN AS
"BEAVER VALLEY WATER COMPANY"**

THIS AGREEMENT, dated August 15, 2004, shall attach to and become a part of the real estate contract, purchase agreement and First American Title escrow #237-4058156, dated February 5, 2003; for the acquisition of property known as **TRACT "D", of BEAVER VALLEY ESTATES**, according to the plat of record in the office of the County Recorder of Gila County, Arizona, recorded in Map No.331

DEFINITIONS:

SELLER/GRANTOR shall be defined as follows:

Wardell Properties, an Arizona General Partnership
Beaver Valley Water Company Inc., a dissolved Arizona Corporation
Beaver Valley Water Company, an implied Arizona General Partnership
Raymond E. Ward, personally, as his sole and separate property
Edgar M. Delaney, personally, as his sole and separate property

BUYER shall be defined as follows:

Michael T. Davoren, and unmarried man

AGREEMENTS:

SELLERS, as defined herein, due hereby transfer, convey and grant to **BUYER** any and all rights, assets, revenues, and obligations of the entity commonly known as "Beaver Valley Water Company". Said transfer shall be a part of the real estate transaction referenced above and shall require **NO** additional consideration to **SELLER** other than what has been previously addressed in the real estate contract and escrow documentation.

SELLER and **BUYER** acknowledge that a majority of the value established in said real estate acquisition is attributable to the business operation referenced herein. It is clearly understood that **BUYER** would be unable to support the obligation to **SELLER** without full and unrestrained control of revenues and operations derived from "Beaver Valley Water Company".

BUYER agrees to apply its best efforts to maintain the business and comply with all regulations and requirements of governmental agencies with jurisdiction; local, state and federal. **BUYER** shall have the right to encumber the business as is allowed by state and federal regulation insofar as **SELLER's** interest is not compromised and remains in a senior position to any proposed encumbrance.

On this, the _____ day of _____, 2004, before me, the undersigned Notary Republic, personally appeared _____
Raymond E. Ward
, _____ and _____, who
Edgar M. Delaney Michael T. Davoren
acknowledged themselves to be the parties empowered to execute this agreement.

EXHIBIT #3

<p>ARIZONA CORPORATION COMMISSION</p> <p>APPLICATION FOR APPROVAL OF THE SALE OF ASSETS AND/OR TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY</p> <p><u>WATER AND/OR SEWER</u></p>	<p>RECEIVED</p> <p>2003 OCT -1 A 9:18</p> <p>DOCUMENT 63...</p>
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A. The name, address and telephone number of the Transferor (Company) is:

R.E. WARD (602) 997-4952
P.O. Box 9031
PHOENIX, AZ. 85068-9031

B. If doing business under a name other than the Transferor (Company) name, specify:

BEAVER VALLEY WATER Co.

C. The Transferor is a:

<p><input type="checkbox"/> Corporation:</p> <p><input type="checkbox"/> "C", <input type="checkbox"/> "S", <input type="checkbox"/> Non-Profit</p> <p><input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign</p>	<p><input checked="" type="checkbox"/> Partnership</p> <p><input type="checkbox"/> Limited, <input type="checkbox"/> General</p> <p><input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign</p>
<p><input type="checkbox"/> Sole Proprietorship</p>	<p><input type="checkbox"/> Limited Liability Company</p>
<p><input type="checkbox"/> Other (Specify)</p>	